

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY GUATEMALA IMMEDIATE

C O N F I D E N T I A L STATE 011551

FOR ASSISTANT SECRETARY ROGERS

FOLLOWING REPEAT PANAMA 0247 ACTION SECSTATE INFO
BRUSSELS BOGOTA GUATEMALA MANAGUA QUITO SAN JOSE
TEGUCIGALPA PANCANAL USSOUTHCOM 14 JANUARY 76.

QUOTE

C O N F I D E N T I A L PANAMA 0247

E.O. 11652: GDS

TAGS: PGOV, BE, EEC, PN

SUBJECT: UNITED BRANDS (UB)/GOP NEGOTIATIONS

REFS: (A) PANAMA 0144 (B) PANAMA 7327 (NOV. 23, 1975)

(C) PANAMA 3416 (MAR 27, 1975)

(D) PANAMA 5536 (SEPT. 10, 1975)

SUMMARY: GOP AND UB CONCLUDED AN AGREEMENT ON JANUARY 8, 1976,
BY WHICH A) FORMER BECOMES OWNER OF LATTER'S LANDS AND RENTS
BACK TO UB LAND NECESSARY FOR CONTINUATION BANANA PRODUCTION
AND MARKETING. NEW AGREEMENT MILESTONE IN GOP/UB RELATIONS IN
THAT IT PUTS AN END TO MANY YEARS OF FRICTION BETWEEN THE TWO
PARTNERS AND PROVIDES GOP MINIMUM ANNUAL INCOME OF ABOUT \$10
MILLION FROM EXPORT TAXES ALONE. UB ALSO PREPARED TO JOIN
GOP IN EXPLOITING REMAINING WASTELAND FOR FARM OPERATION OF
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EXPORTABLE VEGETABLES AND FRUITS, MAINLY TO U.S. UNDER PROPOSED

TECHNICAL EXPERTISE OF UB SUBSIDIARY. UB OPINED NEW AGREEMENT WILL HARDLY HAVE ANY "SERIOUS IMPACT" ON "PAPER TIGER" UNION OF BANANA EXPORTING COUNTRIES. END SUMMARY.

1. BEGIN UNCLASSIFIED-SIGNING OF SUBJECT AGREEMENT TOOK PLACE AS SCHEDULED ON EVENING OF JANUARY 8 AT OLD MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT (MIDA) IN PANAMA CITY (MINISTRY HDQRS IN SANTIAGO, VERAGUAS PROVINCE, 246 KILOMETERS WEST OF PANAMA CITY). THE CEREMONY WAS OFFICIATED BY GOP VICE PRESIDENT GERARDO GONZALEZ AND SIGNATURES OF MIDA MIN. LT. COL. RUBEN D. PAREDES AND UB PRESIDENT WALLACE W. BOOTH WERE WITNESSED BY MIN. OF PRESIDENCY FERNANDO MANFREDO JR. (FORMER MIN. COMMERCE & INDUSTRY, REF B). THE CEREMONY ENDED WITH PRESENTATION OF CANCELLED 1906 GOP/UB CONTRACT TO VICE PRES. GONZALEZ BY UB RESIDENT REP BOBBY WALKER. THE EVENT WAS COVERED BY LOCAL TV NETWORK AND GOP/UB PRESS RELEASE (REF A) WAS FRONT-PAGED BY LOCAL PRESS THE FOLLOWING DAY. FOUR COPIES OF THE "GACETA OFICIAL," NO. 18002 WHICH PUBLISHES LAW NO. 5 OF JANUARY 7, 1976 ENACTING THE NEW GOP/UB AGREEMENT, ARE BEING FORWARDED TO DEPARTMENT UNDER COVER OF AIRGRAM. END UNCLASSIFIED

2. ECON/COM COUNSELOR OBTAINED FOLLOWING ADDITIONAL INFORMATION AND ASSESSMENT UB'S FUTURE IN PANAMA FROM MEETINGS WITH UB PRES. BOOTH AND PR CONSULTANT KEVIN CORRIGAN, JANUARY 9, AND BOBBY WALKER, JANUARY 10:

3. AFTER SIGNING CEREMONY, ALL PARTICIPANTS WERE CORDIALLY RECEIVED BY CHIEF OF GOVT. GENERAL OMAR TORRIJOS AT HIS HOME (THIS NOT PUBLICIZED). TORRIJOS AND BOOTH MUTUALLY AGREED THAT EVERY EFFORT MUST BE MADE TO ASSURE WORKABILITY NEW GOP/UB PARTNERSHIP. IF THIS ACHIEVED--TORRIJOS POINTED OUT--THE AGREEMENT COULD SERVE AS A MODEL ARRANGEMENT FOR OTHER LATIN AMERICANS TO FOLLOW IN THEIR FUTURE VENTURES WITH FOREIGN TRANSNATIONAL COMPANIES.

4. WALKER BELIEVE NEW AGREEMENT BEST UB COULD GET UNDER THE CIRCUMSTANCES. HE BLAMED BOOTH'S PREDECESSOR GELSTHORPE FOR HAVING NEGOTIATED WITH GOP REVISION SALES AGREEMENT OF DECEMBER 19, 1974 (REF C) WHICH GAVE IN TO GOP DEMAND FOR ACQUISITION OF ALL UB LANDS AGAINST THE PANAMANIAN BOOK VALUE OF \$151,000. TO CONFIDENTIAL

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COUNSELOR'S QUERY, WALKER OPINED NEW AGREEMENT WILL HARDLY HAVE ANY SERIOUS IMPACT ON PANAMA'S MEMBERSHIP TO "PAPER TIGER," UNION BANANA EXPORTING COUNTRIES (UPEB).

5. BOOTH PLEASED WITH NEW AGREEMENT BECAUSE IT LAID THE GROUNDWORK FOR A NEW AND HOPEFULLY PERMANENT GOP/UB RELATIONSHIP. HE HIGHLY APPRECIATIVE OF EMBASSY'S CLOSE COOPERATION AND ESPECIALLY AMBASSADOR'S PERSONAL EFFORTS. COMMENTING ON GOP PURCHASE UB

LAND OF 100,000 ACRES AND UB RENTAL OF ABOUT 37,500 ACRES, BOOTH STATED MOST OF REMAINDER WAS DENSE JUNGLE. HE INDICATED, HOWEVER, UB WAS PREPARED TO COOPERATE WITH GOP IN CLEARING UP PART OF THAT WASTELAND AND ESTABLISH FARM OPERATIONS OF EXPORTABLE VEGETABLE AND FRUIT MAINLY TO U.S. UNDER PROPOSED TECHNICAL EXPERTISE OF UB AFFILIATE PATSA(REF E).

6. COMMENTS: BEGIN UNCLASSIFIED- HIGHLIGHTS OF AGREEMENT ARE A) GOP NOW HAS TITLE TO UB LAND BUT UB STILL BANANA PRODUCER AND PRINCIPAL MARKETER AS WELL AS OWNER BANANA INSTALLATION FACILITIES ON RENTED LAND WORTH AROUND \$40 MILLION; B) TERM AGREEMENT 5 YEARS RENEWABLE FOURTH YEAR FOR LIKE TERM,BUT GOP HAS EXCLUSIVE OPTION TO BUY REMAINING UB PROPERTY; C) FOR LAND RENTAL AND USE OTHER GOP FACILITIES UB WILL PAY ABOUT \$2 MILLION ANNUALLY; D) 35 CENT EXPORT TAX ON EACH EXPORTABLE BOX OF 40-42 LBS IS NOW FIXED BY LAW; E) EXCEPT IN CASES OF FORCE MAJEURE, UB AGREES TO MAINTAIN EXPORTABLE PRODUCTION OF NOT LESS THAN 22 MILLION BOXES AND ALSO AGREES TO PURCHASE FROM INDEPENDENT GROWERS ALLBANANAS NOT EXCEEDING 30 PERCENT OF ITS TOTAL EXPORTS; F) UB WILL BE ALLOWED TO IMPORT DUTY-FREE FUEL FOR BUNKERING AND POWER GENERATION AS WELL AS MACHINERY AND PARTS, PAPER AND OTHER ARTICLES NEEDED FOR BANANA OPERATIONS; G) GOP SHALL TAKE OVER UB LABOR BENEFIT FUNDS AND HENCEFORTH BE RESPONSIBLE FOR ADMINISTRATION SOCIAL SECURITY AND WELFARE PROGRAMS FOR ABOUT 27,000 EMPLOYEES AND WORKERS; AND H) UB AGREES TO CONSULT WITH GOP ON MATTERS DEALING WITH LONG-TERM MANAGEMENT/LABOR POLICIES, INCLUDING TRAINING GOP-DESIGNATED PERSONNEL. END UNCLASSIFIED.

7. ADDITION COMMENTS: NEW GOP/UB AGREEMENT HISTORIC IN THAT IT PUTS AN END TO MANY YEARS OF FRICTION BETWEEN THE TWO PARTIES. FACT GOP NOW OWNER UB LANDS MAKES IT LOOK GOOD BEFORE PANAMANIAN PUBLIC. UB HOPEFUL NEW AGREEMENT CONFIDENTIAL

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CONDUCTIVE TO PERMANENT PARTNERSHIP WITH GOP WHICH GUARANTEES GOP ANNUAL INCOME OF \$10.01 MILLION FROM EXPORT TAXES ALONE, BASED ON SHIPMENTS OF 28.6 MILLION BOXES. EMBASSY SHARES UB BELIEF GOP COULD HARDLY FIND MONEY TO PURCHASE EVENTUALLY REMAINING UB PROPERTY AND IT WOULD TAKE YEARS FOR PANAMANIAN TO BECOME MARKETING EXPERTS. APPARENTLY PANAMANIAN HAVE DECIDED TO MAKE THE NEW AGREEMENT WORKABLE REALIZING FINALLY THAT BANANAS ARE NOT HABIT-FORMING AND THAT LIFE CAN GO ON WITHOUT THEM.

JORDEN.

UNQUOTE KISSINGER

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